MUNICIPALITY OF FLORIDA

MANAGEMENT LETTER
FOR THE YEAR ENDED
JUNE 30, 2017

ORTIZ, RIVERA, RIVERA & CO.

CERTIFIED PUBLIC ACCOUNTANTS • VALUE ADDED SERVICES

Suite 152, PO Box 70250, San Juan, P.R. 00936-7250 • Phone (787) 756-8524, Fax (787) 274-0562

ORR & Co.
Ortiz, Rivera, Rivera & Co.
Certified Public Accountants and Business Advisors

CPA Orlando Luis Ortiz Cabrera
CPA Marco Antonio Rivera Zúñiga
CPA Zoraida Cruz Claudio

Members:
American Institute of Certified Public Accountants (AICPA)
AICPA's Private Companies Practice Section (PCPS)
Puerto Rico Board of Certified Public Accountants

June 26, 2018

To the Honorable Mayor and
Municipal Legislature
Municipality of Florida
Florida, Puerto Rico

Dear sirs and madams:

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Municipality of Florida as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered Municipality of Florida's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Municipality of Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of Municipality of Florida's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in internal control to be significant deficiencies:

A. CASH

We observed that some bank account reconciliations as of June 30, 2017, include checks outstanding made for more than six months. Based on the Municipal Administration Regulation, Chapter IV, Section 13, the outstanding checks for more than six months after made should be cancelled and the amount included in the cash balance. Those are:

Account Name	Account Number
Cuenta Corriente	075-831015
Payroll	075-831147
State Block Grant Program	075-867427
System 911	075-217554
Centro Recursos y Referidos Child Care	075-146770
Joint Resolutions	075-868008
Child Care Food Program	075-015996
Section 8 Vouchers	075-831325

Recommendation

The Municipality should evaluate the outstanding checks list on a monthly basis and investigate the checks that have not been cleared with the bank for an unreasonable period of time (i.e. three to six months), contact the payee and determine the underlying reasons as to why these have not been presented to the bank for payment.

B. DISBURSEMENT TEST

A sample of 25 disbursement vouchers cannot be available for examination at the moment of our review. Because of the natural disasters caused by Hurricane Maria the Municipality was not able to access physical records. The building in which the Municipality maintain the documentation and records was inaccessible and or under repairs. No electronic format or back-up of the information was maintained by the Municipality.

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Recommendation

The Municipality should evaluate the situation occurred and establish additional procedures to avoid the documentation was unavailable, such as electronic records and/or external backups as alternative.

C. GENERAL FUND DEFICIT

The Finance Department maintains an accumulated deficit of the general fund amounting to $1,099,929 as of June 30, 2017.

Recommendation

The Municipality should work on increasing actual revenues and/or reducing expenditures, take actions in order to stop this trend. The continuing deficit reported by the Municipality may harm the basic governmental services provided to its citizens.

D. INTERFUND BALANCES

The Finance Department obtained loans and/or paid expenses from other programs and then receives the reimbursements. Some of these transactions were not recorded on accounting books and debt balances cannot be clearly determined.

Recommendation

Interfunds balances should be carefully monitored by the accounting personnel. In addition, differences identified should be reconciled promptly to prevent misstatements in the financial records.

This communication is intended solely for the information and use of management, Mayor and Municipal Legislature, and others within Municipality of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

We believe that the implementation of these recommendations will provide the Municipality of Florida with a stronger system of internal control while also making its operations more efficient. We will be happy to discuss the details of these recommendations with you and assist in any way possible with their implementation.

Cordially,

Ortiz, Rivera, Rivera & Co

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